

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00 DOTE-00

EB-07 INR-05 NSAE-00 RSC-01 FAA-00 PM-03 H-01 L-02

NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10 ACDA-05

SAJ-01 TRSE-00 /080 W

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FM USMISSION USBERLIN

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AMEMBASSY BONN

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

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C O N F I D E N T I A L USBERLIN 2249

E.O. 11652: GDS

TAGS: PFOR, ETRN, WB, GW, US, UK, FR

SUBJECT: PAN AM/BRITISH AIRWAYS DISCUSSIONS ON
BERLIN AIR MATTERS

REF: USBERLIN 2228

1. PAN AM REGIONAL DIRECTOR RUNNETTE PASSED ON TO
MISSION POINTS DISCUSSED DECEMBER 5 WITH BRITISH
AIRWAYS IN LONDON. ON BASIS OF PRESENT
"NEGATIVE RATE OF RETURN" AND ANTICIPATED ONE MILLION
DOLLAR LOSS IN YEAR ENDING 31 MARCH 1975, BA ASSERTED
NEED FOR TEN PERCENT FARE INCREASE ABOVE 7.9 PERCENT
PROPOSAL NOW BEFORE CAAS. PAN AM REPS ATTEMPTED
TO DISCOURAGE FURTHER INCREASE BECAUSE MARKET
ELASTICITY WOULD RESULT IN FURTHER DECLINE IN
PASSENGER TRAFFIC. BA TOOK POSITION THAT MARKET
CONTAINS ZERO ELASTICITY. RUNNETTE SAID PAN AM MIGHT
AGREE TO A SLIGHT ADDITIONAL FARE INCREASE BUT
PREFERRED TO KEEP TOTAL PACKAGE BELOW TEN
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PERCENT. RUNNETTE REMARKED THAT NO ONE "DARED

RAISE" POSSIBILITY OF LOWERING FARES TO ATTRACT MORE
CUSTOMERS AND IMPROVE LOAD FACTOR.

2. BA ALSO PROPOSED A JOINT APPLICATION FOR
ADDITIONAL FRG SUBSIDY ON GROUNDS THAT PRESENT
SUBSIDY REPRESENTED DECLINING SHARE OF AIRLINE COSTS.
SUBSIDY WOULD BE ON EXISTING PASSENGER TICKET
BASIS.

3. PAN AM'S NEW YORK REP SUGGESTED THAT SUMMER
SCHEDEULE MIGHT BE REORGANIZED ON BASIS OF NON-COMPETITIVE
ROUTING IN ORDER TO SAVE CERTAIN DIRECT EXPENSES. FOR
EXAMPLE, PAN AM MIGHT HANDLE ALL DUESSELDORF TRAFFIC
AND BA MIGHT HANDLE ALL KOELN TRAFFIC, THUS ALLOWING
AIRLINES TO CLOSE DOWN DUPLICATE OPERATIONS. RUNNETTE
NOT NOW IN FAVOR THIS PROPOSAL IN VIEW OF LABOR
PROBLEMS IT WOULD ENTAIL.

4. PAN AM AND BA WILL MEET AGAIN ON THESE MATTERS
DECEMBER 18-19 IN LONDON. SILIGMANN

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